

KazTransGas JSC

**Interim condensed consolidated financial statements
(unaudited)**

As at and for the three and six months ended 30 June 2018

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Report on review of interim condensed consolidated financial information

To the Shareholder and Management of KazTransGas JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransGas JSC (“the Company”) and its subsidiaries (collectively referred to as “the Group”), which comprise the interim condensed consolidated statement of financial position as at 30 June 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransGas JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner



Aigerim Nurkenova
Auditor

Auditor qualification certificate
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03 August 2018



Gulmira Turmagambetova
General Director
Ernst & Young LLP

State audit license for audit activities on the
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

<i>In thousands of tenge</i>	Note	30 June 2018 (unaudited)	31 December 2017 (audited)*
Assets			
Non-current assets			
Property, plant and equipment	4	866,596,043	873,582,370
Exploration and evaluation assets	5	12,760,174	12,051,402
Intangible assets		4,365,488	4,747,183
Investments in joint ventures	6	18,402,455	5,185,395
Advances paid for non-current assets	7	77,474,511	2,928,599
Loans to related parties	8	138,009,496	135,190,963
Non-current financial assets		2,241,218	2,078,177
VAT recoverable	9	64,331,439	48,321,910
Deferred tax assets		1,181,310	3,527,073
Other non-current assets		210,145	265,735
Bank deposits	10	4,999,658	5,404,411
		1,190,571,937	1,093,283,218
Current assets			
Inventories	12	13,036,751	17,539,716
Trade and other receivables	13	188,142,431	160,458,349
Loans to related parties	8	85,818,667	72,366,122
Advances paid	7	5,525,793	4,843,166
Prepaid taxes other than income tax	9	3,628,492	7,846,304
Corporate income tax prepaid		14,233,050	16,731,818
Other current assets		776,794	151,853
Bank deposits	10	30,268	148,116
Cash and cash equivalents	11	91,513,907	23,974,879
		402,706,153	304,060,323
Total assets		1,593,278,090	1,397,343,541
Equity and liabilities			
Equity			
Share capital	14	192,623,055	192,623,055
Additional paid-in capital	14	248,919,735	243,148,277
Foreign currency translation reserve		546,149	546,149
Retained earnings		276,449,560	210,707,808
		718,538,499	647,025,289
Non-current liabilities			
Debt securities issued	15	259,264,694	252,649,513
Interest bearing loans	16	190,602,345	113,304,947
Loans from related party	17	9,606,877	9,335,226
Employee benefit obligations		1,210,573	1,110,423
Provisions	18	54,391,961	51,674,958
Other non-current financial liabilities		1,818,507	1,570,175
Other non-current liabilities	19	8,225,610	8,327,738
Deferred tax liabilities		43,590,971	41,101,462
		568,711,538	479,074,442

The accompanying notes on pages 6 to 31 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of tenge</i>	Note	30 June 2018 (unaudited)	31 December 2017 (audited)*
Current liabilities			
Debt securities issued	15	11,653,907	11,871,439
Interest bearing loans	16	24,447,985	19,321,945
Loans from related party	17	41,726,697	43,386,615
Provisions	18	29,570,247	24,629,398
Trade and other payables	20	174,927,469	149,109,414
Corporate income tax payable		226,097	–
Taxes payable other than income tax		877,064	1,642,303
Contract liabilities*	21	6,610,693	5,635,991
Other current financial liabilities		3,891,188	2,634,602
Other current liabilities	22	12,096,706	13,012,103
		306,028,053	271,243,810
Total equity and liabilities		1,593,278,090	1,397,343,541
Book value per share in thousands of tenge	14	2.032	1.827

*The Group has initially applied IFRS 15 and IFRS 9. The comparative information was not restated. See Note 3 for details.

Deputy General Director on economics and finance



Kusherov D.A.

Chief accountant



Meldekhanov B.N.

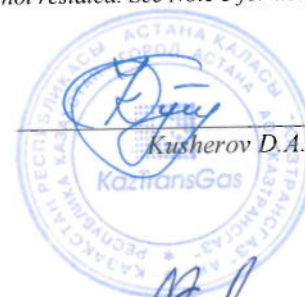
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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of tenge</i>	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2018	2017	2018	2017
Revenue	23	218,893,419	104,973,090	428,793,267	255,847,283
Cost of sales	24	(151,633,576)	(66,881,675)	(319,014,443)	(191,116,183)
Gross profit		67,259,843	38,091,415	109,778,824	64,731,100
General and administrative expenses	25	(6,413,216)	(6,972,192)	(11,145,543)	(10,806,486)
Net impairment losses on financial assets at amortized cost*	8,10,13	(2,766,350)	–	(1,780,836)	–
Other operating income		1,061,569	619,277	1,927,108	1,841,814
Other operating expenses	26	(1,356,897)	(3,342,744)	(5,443,771)	(3,744,618)
Operating profit		57,784,949	28,395,756	93,335,782	52,021,810
Finance income	27	5,016,356	2,894,627	9,574,287	6,311,218
Finance costs	27	(11,462,956)	(7,425,876)	(22,160,840)	(14,574,187)
Share in (loss)/income of joint ventures	6	(5,293,646)	(3,817,186)	11,580,091	(2,797,402)
Foreign exchange (loss)/gain, net		(5,291,724)	(4,612,969)	(2,195,693)	8,622,839
Profit before income tax		40,752,979	15,434,352	90,133,627	49,584,278
Income tax expenses	28	(11,481,907)	(4,810,027)	(19,276,716)	(12,802,144)
Net profit for the period after tax		29,271,072	10,624,325	70,856,911	36,782,134
Other comprehensive income		–	–	–	–
Total comprehensive income for the period, net of income tax		29,271,072	10,624,325	70,856,911	36,782,134
Earnings per share					
Basic and diluted, earnings per share for the period attributable to the parent	14	0.08	0.03	0.20	0.10

*The Group has initially applied IFRS 15 and IFRS 9. The comparative information was not restated. See Note 3 for details.

Deputy General Director on economics and finance



Kuserov D.A.

Chief accountant



Meldekhanov B.N.

The accompanying notes on pages 6 to 31 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of tenge</i>	Notes	For the six months ended June 30 (unaudited)	
		2018	2017*
Cash flows from operating activities			
Receipts from customers		413,625,315	327,343,014
Return of advances paid to suppliers		-	30,078,757
Cash receipts from management fee		14,180,747	18,647,418
Interest received		1,532,427	2,994,512
Taxes refund from budget		-	439,015
Other receipts		497,622	543,635
Payments to suppliers		(289,740,391)	(247,909,979)
Income tax paid		(10,539,970)	(10,418,209)
Other taxes and payments to budget and fund		(17,457,316)	(16,103,349)
Interest paid		(15,325,776)	(7,688,699)
Payments to employees		(19,088,549)	(15,025,719)
Other payments		(2,930,575)	(1,653,757)
Net cash flows received from operating activities		74,753,534	81,246,639
Cash flows from investing activities			
Withdrawal of bank deposits		1,106,312	89,984,350
Proceeds from sale of property, plant and equipment and intangible assets		67,132	1,167
Dividends received from joint venture	6	35,000	-
Proceeds from sale of investment securities		2,000,000	-
Placement of bank deposits		(649,588)	(82,107,155)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(77,775,851)	(31,356,083)
Loans provided to related parties	8	(11,032,435)	(728,293)
Acquisition of investment securities		(2,000,000)	-
Net cash flows used in investing activities		(88,249,430)	(24,206,014)
Cash flows from financing activities:			
Proceeds on interest bearing loans and debt securities issued	16	115,019,917	37,741,669
Proceeds on loans from related party		-	25,321,800
Repayments of interest bearing loans and debt securities issued	16	(35,789,533)	(102,280,128)
Repayments of loans from related party	17	(458,728)	(25,321,800)
Loan arrangement fee		(91,608)	-
Net cash flows received/(used) from/(in) financing activities		78,680,048	(64,538,459)
Net foreign exchange difference on cash and cash equivalents		2,354,876	4,775,156
Net change in cash and cash equivalents		67,539,028	(2,722,078)
Cash and cash equivalents, at the beginning of the period	11	23,974,879	61,988,460
Cash and cash equivalents, at the ending of the period	11	91,513,907	59,265,782

* The interim consolidated cash flow statement for the six months ended June 30, 2017 does not correspond to the one presented in the 2017 interim condensed consolidated financial statements as the Group changed the method of presentation of consolidated cash flow statement, as detailed in Note 3.

Deputy General Director on economics and finance



Kuserov D.A.

Chief accountant



Meldekhanov B.N.

The accompanying notes on pages 6 to 31 are an integral part of these interim condensed consolidated financial statements (unaudited).


INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2017 (audited)	179,655,175	241,030,926	546,149	144,552,528	565,784,778
Net profit for the period	-	-	-	36,782,134	36,782,134
Total comprehensive income for the period	-	-	-	36,782,134	36,782,134
Issue of Shares	12,967,880	(12,967,880)	-	-	-
Contribution from the Shareholder	-	13,091,981	-	-	13,091,981
At 30 June 2017 (unaudited)	192,623,055	241,155,027	546,149	181,334,662	615,658,893
At 31 December 2017 (audited)	192,623,055	243,148,277	546,149	210,707,808	647,025,289
Changes in accounting policy (Note 3)	-	-	-	(5,115,159)	(5,115,159)
At 1 January 2018 (restated)	192,623,055	243,148,277	546,149	205,592,649	641,910,130
Net profit for the period	-	-	-	70,856,911	70,856,911
Total comprehensive income for the period	-	-	-	70,856,911	70,856,911
Contribution from the Shareholder (Note 14)	-	5,771,458	-	-	5,771,458
At 30 June 2018 (unaudited)	192,623,055	248,919,735	546,149	276,449,560	718,538,499

*The Group has initially applied IFRS 15 and IFRS 9. The comparative information was not restated. See Note 3 for details.

Deputy General Director on economics and finance



Kusherov D.A.

Chief accountant



Meldekhanov B.N.

The accompanying notes on pages 6 to 31 are an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. CORPORATE INFORMATION

The accompanying interim condensed consolidated financial statements include the financial statements of KazTransGas JSC (the "Company" or "KTG") and its subsidiaries (hereinafter collectively referred to as the "Group").

KTG is a joint stock company established in accordance with the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004 the Company was re-registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group's head office is registered in the Republic of Kazakhstan, Astana, Yesil district, Alikhan Bokeikhan street, 12.

NC KazMunayGas JSC ("KazMunayGas") is the sole shareholder of KTG. The Government as represented by "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") owns 90% minus 1 (one) shares of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company and the Group (*Note 29*).

In accordance with the Resolution of the Government No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas production and gas supplies. In the role of national operator, the Group's main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group include the following:

- management of investment activities for the overall development of the main gas pipeline systems within Kazakhstan;
- management of investment activities for development of gas fields within Kazakhstan;
- providing consulting services related to research and development of gas industry projects;
- sale of gas to external and local markets;
- participation in the development and implementation of state programs for the gas industry development.

The Group's operating activities are regulated by the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* (the "Law") as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group's tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan and Ministry of Energy of the Republic of Kazakhstan.

As at 30 June 2018, the Group has commitments in the amount of 89,319,939 thousand tenge under the investment program for 2015-2021 approved by the common order of Vice-Minister of Energy and Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (as at 31 December 2017: 79,035,612 thousand tenge). The results of the implementation of this program can influence the future tariffs. As of 30 June 2018, the Group fulfils its obligations under the approved investment program, taking into account the adjustments made.

The accompanying interim condensed consolidated financial statements were authorized for release by the deputy general director on economics and finance and chief accountant of the Company on 3 August 2018.

Exploration and production of hydrocarbons

In December 2000, the Group signed the Contract with the Investment agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kumyrlы gas fields, in Zhambyl oblast, South Kazakhstan (the "Hydrocarbon Agreement"). The term of the Hydrocarbon Agreement is 31 years. The Group started production and sale of gas at Amangeldy gas field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas unless commercially viable hydrocarbon reserves are discovered.

In May 2016, the Group signed the agreement with KazMunayGas on cession of claims under the Contract No. 3949-YBC dated 1 October 2013 on exploration of hydrocarbons on the minefield "Kansu" located in Mangistau oblast from KazMunayGas to the Group. The rights and obligations under the agreement were transferred to the Group in exchange for cash consideration of 3,867,812 thousand tenge, including VAT.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Subsidiaries

As at 30 June 2018 and 31 December 2017, the Company had interest in equity of the following entities, which are included into the interim condensed consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership	
			30 June 2018	31 December 2017
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation and storage of gas and rendering technical servicing for gas pipelines in Kazakhstan	100%	100%
KazTransGas Aimak JSC (KTG Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	100%	100%
KazTransGas Onimderi LLP (KTG Onimderi)	Kazakhstan	Transportation services	100%	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
KMG Kansu Operating LLP	Kazakhstan	Exploration of natural gas and gas condensate	100%	100%
Intergas Finance B.V. (IFBV)	Netherlands	Issue of Eurobonds (raising debt funds)	100%	100%
KazTransGas Bishkek LLC (KTG Bishkek)	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline "Bukhara gas area – Tashkent – Bishkek – Almaty"	100%	100%
Astana Gas JSC	Kazakhstan	Construction and exploitation of pipeline "West-North-Center"	-	100%

KazTransGas JSC has 100% legal ownership in KazTransGas Tbilisi JSC (KTG Tbilisi). On 16 March 2009 the City Court of Kutaisi disqualified the Company from exercising rights that give it the ability to direct the relevant activities of KTG Tbilisi. As a result the Company lost control over KTG Tbilisi and ceased consolidation since the date of loss of control.

Investments in joint ventures

As at 30 June 2018 and 31 December 2017, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			30 June 2018	31 December 2017
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Construction and exploitation of Kazakhstan – China gas pipeline	50%	50%
Beineu-Shymkent Pipeline LLP (BShP)	Kazakhstan	Construction and operation of Beineu-Bozoy-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

2. BASIS OF PREPARATION (continued)**Foreign exchange rates**

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. As at 30 June 2018, the currency exchange rate of KASE was 341.08 tenge to 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollar at 30 June 2018 (at 31 December 2017: 332.33 tenge to 1 US dollar).

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP**Amendments in accounting policy and principles of disclosing information**

In the course of preparation of these interim condensed consolidated financial statements, the Group decided to change the presentation of operating cash flows.

Starting from 1 July 2017, the Group uses only the direct method for presentation of operating cash flows as this method provides reliable and more relevant information for the users about operating cash flows, which are not available under the indirect method. As a result, the Group restated the interim consolidated statement of cash flows for the six months ended 30 June 2017 by using the direct method.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as at 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous consolidated financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group applied IFRS 15 retrospectively by recognition of the cumulative effect of initial application of this standard as an adjustment to the opening balance of retained earnings at the beginning of the reporting period that includes the date of initial application.

Adoption of IFRS 15 did not have significant effect on the interim condensed consolidated financial statements of the Group.

(a) *Sale of gas*

The Group's contracts with customers for the sale of natural gas generally include one performance obligation. The Group has concluded that revenue from sale of natural gas should be recognized over time. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)**New standards, interpretations and amendments adopted by the Group (continued)***IFRS 15 Revenue from Contracts with Customers (continued)**(b) Rendering services*

The Group fulfills performance obligation on a monthly basis and recognizes revenue from rendering gas transportation services and technical maintenance of gas pipelines, based on the actual volumes of services rendered. Revenue from gas transportation services is recognized over time given that the buyer simultaneously receives and consumes the benefits provided by the Group. The adoption of IFRS 15 did not have an impact on the Group's revenue and profit or loss from rendering of services.

(c) Management fee

The Group recognizes management fee, which is related to management of KazMunayGas's joint venture, KazRosGas LLP, based on the approve of the declaration of dividends of KazRosGas LLP. Therefore, the adoption of IFRS 15 did not have an impact on the Group's revenue and profit or loss from management fee.

(d) Advances received from customers

Generally, the Group receives short-term advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances as advances received in the statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

The Group changed the presentation of its consolidated statement of financial position as at 31 December 2017 renaming Advances received to Contract liabilities. The amendment did not have any impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018.

The Group did not restate the comparative information for the annual period beginning January 1, 2017 and recognized the adjustment to the opening balance of retained earnings as at January 1, 2018.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans to related parties as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)****New standards, interpretations and amendments adopted by the Group (continued)***IFRS 9 Financial Instruments (continued)**(b) Impairment (continued)*

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade accounts receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans to related parties and bank deposits), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 resulted in increase in impairment allowances of the Group's trade accounts receivables and loans to related parties. As a result of this increase, the Group adjusted the balance of retained earnings as at January 1, 2018 in this interim consolidated statement of changes in equity for ECL for financial assets at amortized cost.

IAS 1.82 (ba) requires that the statement of profit or loss include line items that present the impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9. The Group presents its impairment losses determined in accordance with IFRS 9 separately in the interim consolidated statement of comprehensive income.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the interim condensed consolidated financial statements such as financial guarantee was adjusted as necessary.

Impact on the statement of financial position as at January 1, 2018, as follows:

<i>In thousands of Tenge</i>	As at December 31, 2017 (audited)	Effects of adoption of IFRS 9	As at January 1, 2018 (unaudited)
Assets			
Trade accounts receivable			
At cost	167,170,005	–	167,170,005
Less: impairment	(6,559,803)	(2,489,628)	(9,049,431)
	160,610,202	(2,489,628)	158,120,574
Loans to related parties			
At cost	207,928,823	–	207,928,823
Plus: interest receivable	1,873,090	–	1,873,090
Less: discount	(2,244,828)	–	(2,244,828)
Less: impairment	–	(607,675)	(607,675)
	207,557,085	(607,675)	206,949,410
Equity and liabilities			
Other financial liabilities			
Financial guarantee	(1,947,364)	(2,017,856)	(3,965,220)
Equity			
Retained earnings	210,707,808	(5,115,159)	205,592,649

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's financial statements.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's financial statements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation and impairment are as follows:

<i>In thousands of tenge</i>	Land	Gas assets	Buildings and constructions	Gas trans- portation system	Equipment	Vehicles	Other	Construction in-progress	Total
Cost									
At 31 December 2017 (audited)	1,232,202	38,415,716	83,038,215	629,568,007	251,428,529	22,177,168	9,009,901	31,728,695	1,066,598,433
Additions	285	180,553	-	4,121,624	45,570	106,057	68,068	8,318,039	12,840,196
Change in estimate (Note 18)	-	119,523	-	-	-	-	-	-	119,523
Transfers	-	-	1,240,789	6,465,957	10,718,996	2,773	43,331	(18,471,846)	-
Disposals	(298,000)	-	(1,777,313)	(49,216)	(552,481)	(102,667)	(681,695)	-	(3,461,372)
At 30 June 2018 (unaudited)	934,487	38,715,792	82,501,691	640,106,372	261,640,614	22,183,331	8,439,605	21,574,888	1,076,096,780
Accumulated depreciation and impairment									
At 31 December 2017 (audited)	-	(9,693,881)	(12,689,469)	(83,630,455)	(61,206,032)	(15,092,403)	(5,406,031)	(5,297,792)	(193,016,063)
Charge for the period	-	(832,185)	(1,479,856)	(8,523,758)	(5,675,181)	(620,541)	(304,401)	-	(17,435,922)
Disposals	-	-	232,123	42,620	244,638	79,977	351,890	-	951,248
Transfers	-	-	(388)	595	(2,793)	1,099	1,487	-	-
At 30 June 2018 (unaudited)	-	(10,526,066)	(13,937,590)	(92,110,998)	(66,639,368)	(15,631,868)	(5,357,055)	(5,297,792)	(209,500,737)
Net book value									
At 31 December 2017 (audited)	1,232,202	28,721,835	70,348,746	545,937,552	190,222,497	7,084,765	3,603,870	26,430,903	873,582,370
At 30 June 2018 (unaudited)	934,487	28,189,726	68,564,101	547,995,374	195,001,246	6,551,463	3,082,550	16,277,096	866,596,043

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****4. PROPERTY, PLANT AND EQUIPMENT (continued)****Construction in progress***Additions*

During the six months ended 30 June 2018, additions to construction-in-progress included pipes and other equipment, intended for construction and capital repair of pipelines. During the six months ended 30 June 2018, additions to construction-in-progress are mainly represented by capital repair of MG “BGR-TBA”, “Bukhara-Ural”, “CAC-2”, “CAC-3” main gas pipelines, welding works and emergency recovery works to replace defective pipes of 2,451,934 thousand tenge; construction of automatic gas distribution station Shelek and the gas pipeline branch with the development of project design of 1,425,375 thousand tenge and other capital construction and improvements.

Transfers

Significant portion of fixed assets placed in operations is related to completion of the above construction works and placement of respective property, plant and equipment in operation.

Gas transportation system*Additions*

During the six months ended 30 June 2018, the Group received gas transportation systems under trust management agreement from the Government with the fair value of 3,978,764 thousand tenge (*Note 14*) at the date of transfer as contribution to equity.

Other

As at 30 June 2018, the historical cost of fully depreciated property, plant and equipment still in operation amounted to 18,536,186 thousand tenge (as at 31 December 2017: 17,961,973 thousand tenge).

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets were as follows:

<i>In thousands of tenge</i>	Tangible assets
At 31 December 2017 (audited)	12,051,402
Additions	708,772
At 30 June 2018 (unaudited)	12,760,174

The exploration and evaluation assets are represented by the following projects:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Sultankuduk	4,948,121	4,947,984
Kansu	3,620,904	3,586,082
Sherubainur	1,974,287	1,974,287
Anabay	1,231,462	572,364
Koskuduk	427,183	427,183
Barkhan	233,798	233,626
Moldybay	110,839	110,791
Other	213,580	199,085
	12,760,174	12,051,402

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****6. INVESTMENTS IN JOINT VENTURES**

As at 30 June 2018 and 31 December 2017, the carrying amount of investments in joint ventures were as follows:

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
31 December 2017 (audited)	-	4,084,722	1,100,673	5,185,395
Share in profit of joint venture	83,177,577	16,832,504	16,283	100,026,364
Unrecognized share in profit of joint venture	(83,177,577)	-	-	(83,177,577)
Share of the Group in the discount on initial recognition of the loan provided to the joint venture	-	1,671,969	-	1,671,969
Share in other comprehensive loss of joint venture	(22,368)	-	-	(22,368)
Unrecognized share in other comprehensive loss of joint venture	22,368	-	-	22,368
Dividends received	-	-	(35,000)	(35,000)
Consolidation adjustment*	-	(5,268,696)	-	(5,268,696)
30 June 2018 (unaudited)	-	17,320,499	1,081,956	18,402,455

* Consolidation adjustment represents elimination of borrowing costs capitalized in the property, plant and equipment of the JV from loans received from KTG.

7. ADVANCES PAID

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Advances paid for non-current assets		
Advances paid to third parties	77,542,691	3,204,086
Advances paid to related parties (Note 29)	207,307	-
Less: allowance for possible non-performance	(275,487)	(275,487)
	77,474,511	2,928,599
Advances paid for current assets and services		
Advances paid to related parties (Note 29)	3,516,566	1,948,559
Advances paid to third parties	2,019,466	2,901,474
Less: allowance for possible non-performance	(10,239)	(6,867)
	5,525,793	4,843,166

At 30 June 2018, advances paid for non-current assets to third parties, mainly include advances of 66,600,000 thousand tenge given to "Elektrokhimzaschita" LLP for construction works of pump stations "Aksuat", "Shornak" and "Saksaulsk".

8. LOANS TO RELATED PARTIES

As at 30 June 2018 and 31 December 2017, loans to related party comprised the following:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Interest bearing loans to related parties	140,653,852	133,317,872
Interest-free loans to related parties	85,643,386	74,610,951
Plus: interest receivable	1,951,699	1,873,090
Less: discount	(3,138,460)	(2,244,828)
Less: impairment	(1,282,314)	-
	223,828,163	207,557,085
Less: current portion (Note 29)	(85,818,667)	(72,366,122)
Non-current portion (Note 29)	138,009,496	135,190,963

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****8. LOANS TO RELATED PARTIES (continued)**

As of 30 June 2018 and 31 December 2017, loans to related party were neither past due nor impaired.

Movement of impairment was as follows:

<i>In thousands of tenge</i>	Impairment
At 31 December 2017 (audited)	-
Change in accounting policy (<i>Note 3</i>)	(607,675)
Charge for the period	(674,639)
At 30 June 2018 (unaudited)	(1,282,314)

Interest bearing loans

In September 2017, the Company provided a loan to BShP of 133,716,000 thousand tenge (equivalent to: 400,000 thousand US dollars) with the interest rate of 5.5% per annum for partial early repayment of the bank loan obtained by BShP under the loan agreement with China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited. The loan principal is payable, starting from 14 April 2028. The maturity date of the loan is 31 August 2029.

During the six months ended 30 June 2018, BShP did not make any payments on interest to the Company.

Interest-free loans*BShP*

During the six months ended 30 June 2018, the Company provided additional on-demand interest-free loan to BShP of 3,260,435 thousand tenge (six months ended 30 June 2017: 728,293 thousand tenge). The fair value on initial and additional loans, which are given on an interest free basis, is determined discounting future cash flows for the loan using a discount rate of 10-16.9%.

During the six months ended 30 June 2018, the Company revised expected repayment date of the loans by BShP. As a result, the repayment period was extended to 30 September 2018. This extension resulted in decrease of the carrying amount of the loans by 3,343,938 thousand tenge, where investments of BShP was adjusted accordingly to recognize effect of discounting. During the six months ended 30 June 2018, amortization of the discount on the loan was equal to 3,198,769 thousand tenge (six months ended 30 June 2017: 2,813,966 thousand tenge) (*Note 27*).

KazRosGas LLP

During the six months ended 30 June 2018, the Company provided on-demand interest-free loan to KazRosGas LLP of 7,772,000 thousand tenge. The fair value on provided loan, which is given on an interest-free basis, is determined discounting future cash flows for the loan using a discount rate of 13%. Respective discount on the interest-free loan of 881,951 thousand tenge was recognized within finance costs (*Note 27*). During the six months ended 30 June 2018, amortization of the discount on the loan was equal to 133,489 thousand tenge (six months ended 30 June 2017: nil) (*Note 27*).

9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
VAT recoverable	77,041,409	64,689,283
Property tax	197,727	778,867
Other taxes prepaid	102,286	81,555
	77,341,422	65,549,705
Less: allowance non-recoverable VAT	(9,381,491)	(9,381,491)
	67,959,931	56,168,214
Non-current portion	64,331,439	48,321,910
Current portion	3,628,492	7,846,304

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****10. BANK DEPOSITS**

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Tenge bank deposits with maturity of over five years	4,989,511	5,344,568
Tenge bank deposits with maturity of over one year and less than five year	39,843	59,843
Less: impairment	(29,696)	-
Bank deposits, non-current	4,999,658	5,404,411
Tenge bank deposits with maturity of over three months and less than one year	30,268	148,116
Bank deposits, current	30,268	148,116

Movement of impairment was as follows:

<i>In thousands of tenge</i>	Impairment
At 31 December 2017 (audited)	-
Charge for the period	(29,696)
At 30 June 2018 (unaudited)	(29,696)

As at 30 June 2018, tenge deposits with maturity over five years include restricted deposits in Halyk Bank Kazakhstan JSC and ForteBank JSC of 4,702,687 thousand tenge and 286,824 thousand tenge, correspondingly. The deposits in Halyk Bank Kazakhstan JSC were opened as collateral for loans of the Group's employees (as at 31 December 2017: 5,008,579 thousand tenge). The deposit in ForteBank JSC is kept in blocked account designated as liquidation fund per requirements of subsoil use contracts (as at 31 December 2017: the deposit was placed in Tsesna Bank JSC of 335,989 thousand tenge).

As at 30 June 2018, deposits were placed in banks at the interest rates of 1-5% per annum in tenge (as at 31 December 2017: 1-15%).

11. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Tenge bank accounts	41,323,063	17,812,587
Foreign currency bank deposits	30,697,200	-
Tenge bank deposits	13,312,701	3,802,155
Foreign currency bank accounts	6,142,765	2,258,208
Cash in transit	32,049	92,085
Cash on hand	6,129	9,844
	91,513,907	23,974,879

As at 30 June 2018, deposits were placed in banks at interest rates of 7- 7.6% per annum in tenge (as at 31 December 2017: 7.5%-8.21%).

As at 30 June 2018, interest rates for cash on the current accounts in banks were 0.1-7.5% per annum in tenge (as at 31 December 2017: 0.1-9.05%) and 0.1% per annum in a foreign currency (as at 31 December 2017: 0.1%).

12. INVENTORIES

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Gas inventory (at cost)	10,811,399	15,593,121
Materials and supplies (at lower of cost and net realizable value)	2,225,352	1,946,595
	13,036,751	17,539,716

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****13. TRADE AND OTHER RECEIVABLES**

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Trade receivables from third parties	166,785,738	127,455,705
Trade receivables from related parties (Note 29)	30,542,693	38,845,581
Other receivables	985,109	716,866
	198,313,540	167,018,152
Less: allowance for doubtful debts	(10,171,109)	(6,559,803)
	188,142,431	160,458,349

As at June 30, 2018 and December 31, 2017 trade accounts receivable are denominated mostly in USD and KZT, are due within 90 days and are non-interest bearing.

Movements in the allowance for doubtful debts were as follows:

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2017 (audited)	(6,559,803)
Change in accounting policy (Note 3)	(2,489,628)
Charge for the period, net	(1,076,501)
Foreign currency translation	(65,983)
Utilized	20,806
At 30 June 2018 (unaudited)	(10,171,109)

14. EQUITY

	Common shares outstanding (number of shares)				Total share capital (in thousands of tenge)
	Par value of 100 tenge	Par value of 138 tenge	Par value of 2,500 tenge	Par value of 10,000 tenge	
As of 30 June 2018 (unaudited)	312,167,670	1	30,976,655	8,396,465	192,623,055
As of 31 December 2017 (audited)	312,167,670	1	30,976,655	8,396,465	192,623,055

Common shares give holders the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the Shareholder's discretion. The Group did not distribute any dividends during the six months ended 30 June 2018 and 2017.

Book value per share

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Total assets	1,593,278,090	1,397,343,541
Less: intangible assets	(4,365,488)	(4,747,183)
Less: total liabilities	(874,739,591)	(750,318,252)
Net assets for common shares	714,173,011	642,278,106
Number of common shares	351,540,791	351,540,791
Book value per common share in thousands of tenge	2.032	1.827

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**14. EQUITY (continued)****Earnings per share**

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to common shareholders by the number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods ended:

	For the six months ended June 30 (unaudited)	
	2018	2017
Net income attributable to shareholder for basic and diluted earnings per share (in thousands of tenge)	70,856,911	36,782,134
Average number of common shares for basic and diluted earnings per share	351,540,791	351,108,528
Basic and diluted, earnings per share for the period attributable to the parent (in thousands of tenge)	0.20	0.10

Additional paid-in capital

During the six months ended 30 June 2018, the Group received property, plant and equipment represented by gas transportation system under trust management agreement from the Government with the fair value of 3,978,764 thousand tenge at the date of transfer. Trust management agreement is a short-term mechanism functioning until the title on these assets is transferred to the Company. The Group is a direct user of these assets; it received all risks and rewards related to the ownership of this property in accordance with trust management agreement. Accordingly, the Group recognised the asset and appropriate increase in additional paid-in capital, which will be reclassified to share capital once the legal procedures are completed.

During the six months ended 30 June 2018, the Group recognized additional paid-in capital with respect to discount on loan provided by KazMunayGas in the amount of 1,792,694 thousand tenge (six months ended 30 June 2018: 1,896,346 thousand tenge) (Note 17).

15. DEBT SECURITIES ISSUED

As at 30 June 2018 and 31 December 2017, debt securities issued comprised:

	Issue	Maturity	Interest rate	30 June 2018 (unaudited)		31 December 2017 (audited)	
				US dollars	In thousands of tenge	US dollars	In thousands of tenge
KTG bonds	2017	2027	4.375%	750,000,000	255,810,000	750,000,000	249,255,769
KTG Aimak bonds	2014	2018	7.50%	-	8,616,746	-	8,616,746
KTG Aimak bonds	2015	2025	7.50%	-	5,000,000	-	5,000,000
				750,000,000	269,426,746	750,000,000	262,872,515
Plus: interest payable					3,047,112		3,295,177
Less: discount					(1,202,005)		(1,274,543)
Less: unamortized transaction costs					(353,252)		(372,197)
					270,918,601		264,520,952
Less: the amount to be repaid within 12 months from the reporting date					(11,653,907)		(11,871,439)
Amounts due after 12 months					259,264,694		252,649,513

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****16. INTEREST BEARING LOANS**

As at 30 June 2018 and 31 December 2017, interest bearing loans comprised:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Interest bearing loans with floating rate	132,524,323	65,371,308
Interest bearing loans with fixed rate	81,751,874	66,658,955
	214,276,197	132,030,263
Plus: interest payable	2,077,291	1,702,189
Less: unamortized transaction costs	(1,303,158)	(1,105,560)
	215,050,330	132,626,892
Less: amount due for settlement within 12 months from the reporting date	(24,447,985)	(19,321,945)
Amounts due for settlement after 12 months	190,602,345	113,304,947

Interest-bearing loans with floating rate*European Bank for Reconstruction and Development*

In accordance with the loan agreement dated 26 May 2016, on 18 June 2018, ICA received additional financing of 4,621,477 thousand tenge from the European Bank for Reconstruction and Development for modernization of Bozoy gas storage facility. ICA shall repay this loan in 32 (thirty-two) consecutive equal quarterly instalments commencing on September 2018 with interest 3m CPI (Consumer Price Index) plus 3.15% per annum.

During the six months ended 30 June 2018, ICA repaid principal under the loan agreement of 5,684,462 thousand tenge.

As at 30 June 2018, ICA has principal payable to European Bank for Reconstruction and Development under the above loan agreement of 64,308,323 thousand tenge (as at 31 December 2017: 65,371,308 thousand tenge).

Citibank N.A. Jersey Branch

During the six months ended 30 June 2018, ICA received a short-term loan from Citibank N.A. Jersey Branch of 27,172,800 thousand tenge (equivalent to: 85,000 thousand US dollars) at the rate of 1 months LIBOR + 2% for general corporate purposes. During the six months ended 30 June 2018, ICA fully repaid principal under the loan agreement of 27,804,350 thousand tenge (equivalent to: 85,000 thousand US dollars).

The Corporate and Investment Banking Division of Société Générale

In accordance with the loan agreement dated 16 April 2018, on 17 May 2018, the Company received a loan from the Corporate and Investment Banking Division of Société Générale of 65,832,000 thousand tenge (equivalent to: 200,000 thousand US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoy-Shymkent" at the rate of 3 months LIBOR + 1.35. This loan is payable by 16 April 2021.

As at 30 June 2018, the Company has principal payable to the Corporate and Investment Banking Division of Société Générale under the above loan agreement of 68,216,000 thousand tenge (as at 31 December 2017: nil).

Interest-bearing loans with fixed rate*European Bank for Reconstruction and Development*

In accordance with the loan agreement dated November 24, 2016, KTG Aimak concluded the loan agreement with the European Bank for Reconstruction and Development with interest of 10.15% with a maximum loan term of 10 (ten) years for the project "Modernization of gas pipeline system in Mangystau, Aktobe and Kostanay regions". In accordance with this loan agreement, in April and May 2018 KTG Aimak received additional tranches under the loan agreement of 829,364 thousand tenge and 631,455 thousand tenge, respectively. The principal amount is payable starting from September 2018.

As at 30 June 2018, KTG Aimak has total principal payable to European Bank for Reconstruction and Development under the above loan agreement of 17,185,324 thousand tenge (as at 31 December 2017: 15,724,505 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**16. INTEREST BEARING LOANS (continued)****Interest-bearing loans with fixed rate (continued)***Development Bank of Kazakhstan*

KTG Aimak concluded several revolving credit line agreements with the Development Bank of Kazakhstan JSC for the projects “Modernization of gas pipeline system in South Kazakhstan, Taraz, Kyzylorda, Aktobe” and “Construction of stand-by line of gas pipeline Uzen-Zhetybai”. During the six months ended 30 June 2018, KTG Aimak received additional financing for the total amount of 15,932,821 thousand tenge. During the six months ended 30 June 2018, KTG Aimak repaid principal of 2,300,721 thousand tenge.

As at 30 June 2018, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements of 56,866,550 thousand tenge (as at 31 December 2017: 43,234,450 thousand tenge).

Eurasian Development Bank JSC

In 2016, KTG Aimak raised funds by concluding non-revolving credit line agreement dated 15 November 2016 in the amount of 7,676,900 thousand tenge at 11.00% per annum for the project “Modernization of gas distribution system in Aktobe region”. The principal amount is payable starting from May 2019.

As at 30 June 2018, KTG Aimak has total principal payable to Eurasian Development Bank JSC under the above loan agreement of 7,700,000 thousand tenge (as at 31 December 2017: 7,700,000 thousand tenge).

17. LOANS FROM RELATED PARTY

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Fixed interest rate borrowings	57,257,697	57,278,925
	57,257,697	57,278,925
Plus: interest payable	616,143	1,363,013
Less: discount	(6,540,266)	(5,920,097)
	51,333,574	52,721,841
Less: the amount to be repaid within 12 months from the reporting date	(41,726,697)	(43,386,615)
Amounts due after 12 months	9,606,877	9,335,226

Fixed interest rate borrowings

On 31 May 2013, KazMunayGas provided to the Group long-term financing in the amount of 458,728 thousand tenge at 5% per annum for the purpose of financing the construction of the “West-North-Center” trunk gas pipeline. This loan is payable by 31 May 2018. During the six months ended 30 June 2018, the loan was fully repaid.

On 6 March 2017, KazMunayGas provided to the Group short-term financing for the total amount of 25,321,800 thousand tenge at the rate of 5.0% per annum for general corporate purposes. This loan is payable on 6 March 2018. During the six months ended 30 June 2018, the repayment period of the principal was extended until 6 March 2019. Respective discount on the loan in the amount of 1,792,694 thousand tenge (Note 14) was recognized as additional paid-in capital.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****18. PROVISIONS**

<i>In thousands of tenge</i>	Provision for gas transportati on expenses	Abandon- ment, site restoration provision	Gas pipeline abandonme nt and site restoration provision	Tax provisions	Other	Total
At 31 December 2017 (audited)	24,291,288	1,882,591	49,792,367	100,771	237,339	76,304,356
Arising during the period	-	-	-	47,186	4,417,285	4,464,471
Change in estimates	639,571	119,523	-	-	-	759,094
Unwinding of discount	-	74,739	2,522,741	-	-	2,597,480
Reversed	-	-	-	(14,755)	(24,681)	(39,436)
Utilised	-	-	-	(98,129)	(25,628)	(123,757)
At 30 June 2018 (unaudited)	24,930,859	2,076,853	52,315,108	35,073	4,604,315	83,962,208
Current provisions as at 30 June 2018	24,930,859			35,073	4,604,315	29,570,247
Non-current provisions as at 30 June 2018		2,076,853	52,315,108			54,391,961
Current provisions as at 31 December 2017	24,291,288	-	-	100,771	237,339	24,629,398
Non-current provisions as at 31 December 2017	-	1,882,591	49,792,367	-	-	51,674,958

Provision for gas transportation expenses

In 2014, PetroChina International Co. Ltd claimed reimbursement on incurred costs and losses associated with transportation of borrowed gas. The Group analysed recoverable expenses in the amount of 73,094 thousand US dollars and recognised provision for reimbursement of gas transportation expenses to PetroChina International Co. Ltd under the gas borrowing agreement. Since 2014, the management of the Group is negotiating with PetroChina International Co. Ltd the final amount of reimbursement. As at 30 June 2018, the amount of provision in original currency remained unchanged. As at 30 June 2018, provision for gas transportation expenses was equal to 24,930,859 thousand tenge (as at 31 December 2017: 24,291,288 thousand tenge).

Gas pipeline abandonment and site restoration provision

The Group's subsidiaries ICA and KTG Aimak recorded a provision for future costs of decommissioning of main gas pipelines on a discounted basis in accordance with the Law of the Republic of Kazakhstan *On Main Pipelines (Note 2)*. As at 30 June 2018, provision for abandonment of gas pipelines and site rehabilitation of 52,315,108 thousand tenge (as at 31 December 2017: 49,792,367 thousand tenge) represents the current costs of abandonment of gas pipelines and site rehabilitation expected to be incurred from 2021 till 2084.

Other

During the six months ended 30 June 2018, the Group sold 415,777 thousand cubic meters in excess of the volume of gas stored by the Group in Bozoy underground storage facility. As a result of the excess usage the Group accrued a liability to fulfil the storage in the amount of 4,417,285 thousand tenge.

19. OTHER NON-CURRENT LIABILITIES

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Deferred income: non-current portion	8,225,610	8,308,872
Other	-	18,866
	8,225,610	8,327,738

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****20. TRADE AND OTHER PAYABLES**

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Due to related parties (Note 29)	137,362,711	110,915,218
Due to third parties	37,564,758	38,194,196
	174,927,469	149,109,414

Trade payables represent payables for purchased gas and assets and services related to the repair and maintenance of the gas transportation system. Trade payables are non-interest bearing and usually settled within 30 days.

Trade payables are denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
KZT	156,006,052	134,038,495
USD	11,205,902	12,208,651
RUB	7,698,559	2,849,630
Other	16,956	12,638
	174,927,469	149,109,414

21. CONTRACT LIABILITIES

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Contract liabilities to third parties	4,271,446	3,928,357
Contract liabilities to related parties (Note 29)	2,339,247	1,707,634
	6,610,693	5,635,991

* Contract liabilities was previously presented as advances received in the consolidated financial position of the Group as of 31 December 2017. See Note 3 for details.

22. OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Gas borrowing	4,981,548	4,853,769
Accrued bonuses	2,438,602	4,904,383
VAT liabilities under the Trust Management agreement	2,088,823	—
Other payments to the budget	944,855	944,855
Deferred income: current portion	468,128	461,012
Payables to pension and social health insurance funds	375,543	772,640
Other	799,207	1,075,444
	12,096,706	13,012,103

As at 30 June 2018, the Group recognised gas borrowing liability to return 104,323 thousand cubic meters of natural gas borrowed from PetroChina International Company Limited during 2017 (as at 31 December 2017: 104,323 thousand cubic meters).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****23. REVENUE**

<i>In thousands of tenge</i>	Timing of revenue recognition	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2018	2017	2018	2017
Type of goods or service					
Revenue from sales of gas	Over time	185,335,870	55,192,704	351,713,976	164,338,236
Revenue from gas transportation services	Over time	31,984,943	32,202,895	73,899,436	73,233,809
Revenue from technical maintenance of gas pipelines	Over time	1,331,984	710,635	2,746,754	1,266,911
Management fee	At a point in time	–	16,649,480	–	16,649,480
Other	Over time	240,622	217,376	433,101	358,847
		218,893,419	104,973,090	428,793,267	255,847,283
Geographical markets:					
Kazakhstan		56,220,721	70,094,618	175,160,431	168,024,128
China		113,215,338	–	159,846,929	–
CIS		49,457,360	34,878,472	93,785,907	87,823,155
		218,893,419	104,973,090	428,793,267	255,847,283

24. COST OF SALES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Cost of gas sold	69,031,108	34,800,414	158,670,335	109,189,676
Transportation expenses	50,449,991	6,399,631	103,959,681	34,880,138
Payroll and related contributions	8,813,846	7,198,467	18,389,814	14,845,938
Depreciation, depletion and amortization	8,458,666	7,164,058	16,928,350	14,366,798
Fuel gas and gas losses	6,042,300	6,545,135	6,433,930	7,115,179
Taxes other than income tax	2,502,984	2,052,589	4,986,845	4,118,374
Billing services	1,385,445	1,002,068	2,735,040	2,026,800
Repair and maintenance	750,249	476,522	1,336,482	897,771
Security	681,736	589,019	1,313,734	1,160,632
Electricity	568,956	237,726	1,217,192	1,149,371
Change in provision for gas of transportation expenses, net (Note 18)	1,664,347	(864,701)	639,571	(864,701)
Business trip expenses	298,567	272,021	513,105	467,947
Communication expenses	237,814	134,896	437,551	263,969
Insurance	156,498	141,329	293,224	272,249
Other	591,069	732,501	1,159,589	1,226,042
	151,633,576	66,881,675	319,014,443	191,116,183

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****25. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Payroll and related contributions	2,841,790	2,315,935	5,012,395	4,348,372
Rent expenses	644,494	679,853	1,261,467	1,262,338
Taxes other than income tax	702,339	340,249	964,009	475,924
Depreciation, depletion and amortization	447,645	262,159	903,127	552,412
Consulting services	644,257	237,283	832,458	405,811
Personnel development and qualification upgrade	133,340	102,357	240,836	170,645
Business trip expenses	116,061	96,995	202,334	175,143
Office maintenance expenses	90,794	142,794	200,407	257,889
Sponsorship and charity	161,550	1,759	176,607	1,759
Repair and maintenance	74,977	96,958	139,421	168,488
Bank charges	61,288	69,413	128,615	237,892
Communication services	49,260	41,383	88,981	67,230
Security costs	26,084	30,086	53,790	59,750
Fines and penalties	11,971	1,979	13,876	58,474
Insurance expenses	6,761	9,247	13,388	15,267
Festive and cultural events expenses	–	19,155	480	18,400
Allowance for doubtful debts, net*	–	1,306,637	–	1,119,061
Tax provision, net	–	560,579	–	42,898
Write-down of inventory to net realisable value	(10,571)	290,621	(14,914)	818,355
Other	407,804	366,750	924,894	550,378
	6,413,216	6,972,192	11,145,543	10,806,486

*The Group has initially applied IFRS 9 Financial Instruments. Allowance for doubtful debts for 2018 showed separately within interim consolidated statement of comprehensive income. See Note 3 for details.

26. OTHER OPERATING EXPENSES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment and intangible assets, net	21,648	23,648	2,503,568	26,515
VAT expense under trust management agreement	863,888	3,028,803	2,088,823	3,028,803
Expenses on services rendered (gas supply to residential buildings, hook-up, technical maintenance)	484,334	287,748	818,248	529,964
Depreciation, depletion and amortization	2,877	6,419	7,952	11,298
Provision for impairment of property, plant and equipment	–	–	–	141,270
Other	(15,850)	(3,874)	25,180	6,768
	1,356,897	3,342,744	5,443,771	3,744,618

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****27. FINANCE INCOME AND FINANCE COSTS**

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Finance income				
Interest income on loans to related parties	1,905,381	–	3,690,253	–
Amortization of discount on loans to related parties (Note 8)	1,743,786	1,204,280	3,332,258	2,813,966
Interest income on bank deposits	933,823	1,687,818	1,675,277	3,493,029
Amortization of financial guarantee	362,235	–	625,563	–
Other income from financial assets	33,150	–	212,937	–
Other	37,981	2,529	37,999	4,223
	5,016,356	2,894,627	9,574,287	6,311,218
Finance costs				
Interest bearing loans	(3,971,523)	(1,737,695)	(7,569,615)	(3,471,613)
Interest on debt securities issued	(2,986,537)	(568,969)	(5,865,070)	(1,471,896)
Unwinding of discount – abandonment and site restoration provisions (Note 18)	(1,314,551)	(1,247,972)	(2,597,480)	(2,454,867)
Interest on loans from related party	(591,237)	(1,366,913)	(1,181,163)	(2,528,479)
Discount on loans issued to the joint venture	(846,170)	(1,710,192)	(1,671,969)	(2,836,651)
Unwinding of discount on financial liabilities	(559,738)	(568,133)	(1,172,526)	(1,401,176)
Discount on interest-free loans to related parties (Note 8)	(881,951)	–	(881,951)	–
Amortization of transaction costs related to interest bearing loans	(11,484)	(134,945)	(634,240)	(215,456)
Amortization of discount on debt securities issued	(33,327)	22,694	(84,969)	–
Other	(266,438)	(113,751)	(501,857)	(194,049)
	(11,462,956)	(7,425,876)	(22,160,840)	(14,574,187)

28. INCOME TAX EXPENSES

The Group is subject to corporate income tax at the prevailing statutory rate of 20%.

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Corporate income tax expense	7,627,430	7,586,890	14,440,030	14,071,513
Deferred income tax expense/(benefit)	3,853,063	(1,693,257)	4,835,272	(660,546)
Adjustment of prior year income tax	1,414	(1,083,606)	1,414	(608,823)
	11,481,907	4,810,027	19,276,716	12,802,144

29. RELATED PARTY TRANSACTIONS**Terms and conditions of transactions with related parties**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions that unrelated parties would not and also, transactions between related parties may not be made at the same statements, terms and amounts as between unrelated parties. The Management believes that the Group has appropriate procedures for identification and appropriate disclosure of information on related parties transactions.

Major transactions with related parties for the six months ended 30 June 2018 and 2017 are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**29. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2018	2017	2018	2017
Sales of goods and services				
Entities under common control of KazMunayGas	258,280	238,324	722,961	671,051
Joint ventures in which the Group is a venturer	1,215,325	362,107	2,475,360	914,100
Joint ventures in which Parent is a venturer	10,167,947	16,619,836	25,219,104	29,598,666
Entities under common control of Samruk-Kazyna and the Government	9,187,681	9,774,281	24,700,627	26,186,480
	20,829,233	26,994,548	53,118,052	57,370,297
Management fee				
Entities under common control of KazMunayGas	–	16,649,480	–	16,649,480
	–	16,649,480	–	16,649,480
Purchases of goods and services				
Entities under common control of KazMunayGas	1,230,320	1,457,987	2,657,367	2,630,269
Joint ventures in which the Group is a venturer	49,867,061	6,130,833	102,728,241	33,829,981
Joint ventures in which Parent is a venturer	13,506,000	8,548,213	34,217,937	19,330,507
Entities under common control of Samruk-Kazyna and the Government	542,562	179,447	1,048,121	386,424
	65,145,943	16,316,480	140,651,666	56,177,181
Finance income				
Joint ventures in which the Group is a venturer	3,877,913	1,204,281	7,514,585	2,813,967
Joint ventures in which Parent is a venturer	133,489	–	133,489	–
	4,011,402	1,204,281	7,648,074	2,813,967
Finance costs				
Joint ventures in which the Group is a venturer	36,056	–	48,185	–
Joint ventures in which Parent is a venturer	881,951	–	881,951	–
Entities under common control of Samruk-Kazyna and the Government	1,150,975	1,950,019	2,353,689	3,944,628
	2,068,982	1,950,019	3,283,825	3,944,628

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****29. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

Principal balances on transactions with related parties as at 30 June 2018 and 31 December 2017, are as follows:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Trade and other receivables		
Entities under common control of KazMunayGas	3,085	21,187
Joint ventures in which the Group is a venturer	2,844,520	2,938,635
Joint ventures in which Parent is a venturer	23,885,551	14,412,035
Entities under common control of Samruk-Kazyna and the Government	3,809,537	21,473,724
	30,542,693	38,845,581
Loans to related parties		
Joint ventures in which the Group is a venturer	217,577,069	207,557,085
Joint ventures in which Parent is a venturer	6,251,094	-
	223,828,163	207,557,085
Advances paid		
Entities under common control of KazMunayGas	1,318	15,629
Joint ventures in which Parent is a venture	3,200,174	1,927,636
Entities under common control of Samruk-Kazyna and the Government	522,381	5,294
	3,723,873	1,948,559
Trade and other payables		
Entities under common control of KazMunayGas	1,027,401	567,797
Joint ventures in which the Group is a venturer	132,891,618	82,274,930
Joint ventures in which Parent is a venture	2,972,454	28,049,061
Entities under common control of Samruk-Kazyna and the Government	471,238	23,430
	137,362,711	110,915,218
Contract liabilities		
Entities under common control of KazMunayGas	86,605	18,479
Joint ventures in which the Group is a venturer	531	-
Joint ventures in which Parent is a venturer	2,242,943	1,671,387
Entities under common control of Samruk-Kazyna and the Government	9,168	17,768
	2,339,247	1,707,634
Loans from related party		
Entities under common control of Samruk-Kazyna and the Government	51,333,574	52,721,841
	51,333,574	52,721,841
Other financial liabilities		
Joint ventures in which the Group is a venturer	1,201,208	1,794,886
	1,201,208	1,794,886

During the six months ended 30 June 2018, the Company provided additional interest-free loan to BShP of 3,260,435 thousand tenge for general corporate purposes and the construction of the Beineu-Shymkent trunk gas pipeline.

During the six months ended 30 June 2018, the Company provided interest-free loan to KazRosGas LLP of 7,772,000 thousand tenge for general corporate purposes.

During the six months ended 30 June 2018, the Group paid interest to KazMunayGas of 1,871,789 thousand tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****29. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

In 2017, the Company issued financial guarantee to BShP under the shareholder support agreement dated 7 September 2017 to comply the payment obligations of BShP to China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited for the period until completion date of Beineu-Shymkent gas pipeline project on 30 September 2019. Under the terms of the credit line agreement between BShP and China Development Bank, Bank of China Limited and Bank of China (Hong Kong) Limited, the principal amount is payable in quarterly installments starting from December 2017 to March 2028. The Company's guarantee is limited to KMG's 31% share in guarantee provided for the full maturity of the loan. As at 30 June 2018, the carrying amount of the Company's financial guarantee obligation was 1,201,208 thousand tenge (as at 31 December 2017: 1,794,886).

Compensation to key management personnel

The key management personnel includes members of Board of Directors and the Management Board, their deputies totalling 9 persons as at 30 June 2018 (as at 31 December 2017: 9 persons). For the six months ended 30 June 2018, total compensation to key management personnel amounted to 348,080 thousand tenge (six months ended 30 June 2017: 333,601 thousand tenge) and consisted of salaries and other short-term benefits included in general and administrative expenses in the interim consolidated statement of comprehensive income.

30. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2017, the following changes have taken place during the six months ended 30 June 2018:

Commitments for capital expenditures

As at 30 June 2018, the Group has capital commitments of approximately 58,693,579 thousand tenge, excluding VAT (as at 31 December 2017: 15,813,613 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are partially connected with investment program described in *Note 1* "Corporate information".

Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP is as follow as at 30 June 2018:

<i>In thousands of tenge</i>	AGP	BShP
Acquisition and construction of property, plant and equipment	7,015,029	10,940,900

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

<i>In thousands of tenge</i>	30 June 2018 (unaudited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Loans to related party	223,828,163	215,654,315	-	-	215,654,315
Financial liabilities					
Debt securities issued	(270,918,601)	(254,907,286)	(254,907,286)	-	-
Interest bearing loans	(215,050,330)	(217,192,070)	-	(217,192,070)	-
Loans from related parties	(51,333,574)	(49,613,969)	-	(49,613,969)	-

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

There have been no transfers between Level 1 and Level 2 during the six months ended 30 June 2018.

<i>In thousands of tenge</i>	31 December 2017 (audited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
Financial assets					
Loans to related party	207,557,085	209,041,188	–	–	209,041,188
Financial liabilities					
Debt securities issued	(264,520,952)	(267,423,371)	(267,423,371)	–	–
Interest bearing loans	(132,626,892)	(135,738,457)	–	(135,738,457)	–
Loans from related parties	(52,721,841)	(53,372,575)	–	(53,372,575)	–

There have been no transfers between Level 1 and Level 2 during 2017.

Estimates and assumptions

The management of the Group has determined that the fair value of cash and bank deposits, trade receivables, interest free loans provided to related parties, trade payables, and short-term loans received approximates their carrying amount.

The fair value of the financial assets and liabilities included in the interim condensed consolidated financial statements is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value calculation of quoted bonds was based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

32. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading – sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas – transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****32. SEGMENT REPORTING (continued)**

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for the six months ended 30 June 2018:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	376,534,651	51,366,574	903,042	–	428,793,267
Revenue from sales to other segments	4,708,208	44,702,256	12,044,585	(61,455,049)	–
Total revenue	381,242,859	96,057,830	12,947,627	(61,455,049)	428,793,267
Gross profit	50,003,452	54,783,774	6,923,815	(1,932,217)	109,778,824
Finance income	9,898,130	885,950	180,869	(1,390,662)	9,574,287
Finance costs	(13,173,432)	(7,763,412)	(247,364)	(976,632)	(22,160,840)
Depreciation, depletion and amortization	(5,415,528)	(10,848,123)	(1,575,778)	–	(17,839,429)
Share in profit of joint ventures	–	11,563,808	16,283	–	11,580,091
Income tax expenses	(8,497,580)	(9,587,347)	(1,191,789)	–	(19,276,716)
Net profit for the period	69,513,300	40,637,214	4,140,951	(43,434,554)	70,856,911
Other segment information					
Investments in joint ventures	–	17,320,499	1,081,956	–	18,402,455
Capital expenditures	3,843,885	4,692,522	887,320	(748,487)	8,675,240
Impairment losses under IFRS 9	(10,714,352)	(708,143)	(60,624)	–	(11,483,119)
Allowances for obsolete inventories and advances paid	(157,489)	(2,476,730)	(285,726)	–	(2,919,945)
Assets of the segment	994,959,541	722,911,533	65,885,011	(190,477,995)	1,593,278,090
Liabilities of the	726,811,739	269,898,349	8,468,574	(130,439,071)	874,739,591

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****32. SEGMENT REPORTING (continued)**

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for the six months ended 30 June 2017:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	199,895,087	54,026,143	1,926,053	–	255,847,283
Revenue from sales to other segments	4,821,042	27,022,397	9,445,246	(41,288,685)	–
Total revenue	204,716,129	81,048,540	11,371,299	(41,288,685)	255,847,283
Gross profit	14,432,787	45,279,938	5,798,013	(779,638)	64,731,100
Finance income	6,629,479	245,955	214,073	(778,289)	6,311,218
Finance costs	(10,382,515)	(4,649,936)	(320,178)	778,442	(14,574,187)
Depreciation, depletion and amortization	(4,547,456)	(8,915,306)	(1,467,746)	–	(14,930,508)
Impairment of property, plant and equipment	–	(141,270)	–	–	(141,270)
Share in (loss)/profit of joint ventures	–	(2,836,651)	39,249	–	(2,797,402)
Income tax expenses	(3,452,627)	(8,257,309)	(1,092,208)	–	(12,802,144)
Net profit for the period	44,075,894	24,485,246	3,607,669	(35,386,675)	36,782,134
Other segment information					
Investments in joint ventures	–	4,084,722	1,100,673	–	5,185,395
Capital expenditures	23,714,804	38,854,784	927,815	–	63,497,403
Allowances for obsolete inventories, doubtful debts, and advances paid	(6,325,414)	(2,856,396)	(312,271)	–	(9,494,081)
Assets of the segment	808,725,669	632,369,068	64,256,771	(108,007,967)	1,397,343,541
Liabilities of the segment	603,998,324	183,858,556	11,206,596	(48,745,224)	750,318,252

Eliminations represent the exclusion of intra-group turnovers.

During the six months ended 30 June 2018, the Group generated 15% of its revenues from Gazprom Group (six months ended 30 June 2017: 26%) and 37% from PetroChina International Company Limited (six months ended 30 June 2017: nil).

33. SUBSEQUENT EVENTS

In July 2018, BShP partially repaid principal for 4,238,929 thousand tenge under the interest bearing loan agreement and the same amount under the interest-free loan agreement.